MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017 SESSION

BCS4614 – GOODS AND SERVICES TAXES

(All Sections / Groups)

29 May 2017
9.00 am. – 12.00 pm.
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 5 pages (excluding cover page) with 5 Questions only.

2. Answer **ALL** Questions. All question carry equal marks. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided

4. Take note of the following matters in respect of the question paper:

   (i) GST refers to goods and services tax under the Goods and Services Tax Act 2014 (as amended).
   (ii) RMC refers to the Royal Malaysian Customs.
   (iii) All reference to sections is to the Goods and Services Tax Act 2014 (as amended) unless otherwise specified.

QUESTION 1

(a) Under the GST Act 2014, you are required to be registered if you are carrying on a business and your annual taxable turnover is more than RM 500,000. Explain the two (2) methods used to measure the annual taxable turnover.

(4 marks)

(b) In measuring the annual taxable turnover, the taxable supply does not include the GST component of the supply. In addition certain components of supply are **excluded** in computing the value of taxable turnover. List four (4) of these excluded components.

(4 marks)

(c) For each of the following situations, **explain** if the person is required to register for GST or not:

i. Mr. Marcus retired from government service in June 2015 and with his savings bought two (2) units of retails outlets in a shopping complex in Kuala Lumpur valued at RM1.2 million. He already has three (3) units of shop lot inherited from his father who passed away in 2008, which is valued at RM1.8 million. Mr. Marcus has been renting the three (3) units of shop lot for RM72,000 a year (RM2,000 per month x 3 units x 12 months). Mr. Marcus is able to secure rental of RM48,000 year (RM2,000 per month x 2 units x 12 months) for the two retail units. Thus, his total rental income is RM120,000 a year. He does not have any other income and does not own any business. Mr. Marcus needs to sell one of the shop lots for RM950,000 in July 2017 to pay for his son's education.

ii. Juara Transport Sdn Bhd operates a business through which it provides both ordinary taxi services and limousine service. The ordinary taxi service has a turnover of RM400,000 a year and the limousine service turnover is RM250,000 a year.

iii. Devi owns a mini market in Nilai and a restaurant in Petaling Jaya. The average monthly turnover of the mini market is RM15,000 and the restaurant is RM30,000.

iv. Dave owns five (5) units of bungalows in Mont Kiara, Kuala Lumpur and rents it out to expatriates working in Kuala Lumpur. The monthly rental from the five (5) units of bungalow is RM32,500. Dave works full time as a General Manager in a multi-national company with a monthly salary of RM10,500.

(12 marks)

(Total 20 marks)

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QUESTION 2

(a) Under the scope of Goods and Service Tax (GST), in Malaysia, **'Supply'** consist of taxable supply and non-taxable supply. What are the two (2) categories of supply for:

i. Taxable Supply; and

ii. Non – Taxable Supply.

(4 marks)

(b) Company A purchases 20,000 units of product X from Company B at a price of RM 35.00 (inclusive of GST). Company A makes an advance part payment of RM210,000 on 1st March 2017. The product is delivered to Company A on 30th April 2017 and the tax invoice for RM700,000 was also issued to Company A on the same date. Company A then settles the balance of RM490,000 on 15th of May 2017.

Required:

i. Explain the treatment of the advance payment for GST purposes; and

(4 marks)

ii. What is the accounting and GST implications for Company B (*show all journal entries*).

(12 marks)

(Total 20 marks)

QUESTION 3

(a) MC Sdn Bhd has three subsidiaries, X, Y and Z Sdn Bhd. MC Sdn Bhd holds 80%, 61% and 55% of the issued capital of X, Y & Z Sdn Bhd respectively.

The business activities of the companies are as follows:

Company	Business activities
MC Sdn Bhd	Provides management & consultancy services.
X Sdn Bhd	Undertakes and provides advertising services
Y Sdn Bhd	Supplies motor vehicle spare parts
Z Sdn Bhd	Owns commercial shop lots and residential apartments and earns rental income.

Continued...

The companies are planning to enter into the following transactions:

1.	MC Sdn Bhd is to provide management and consultancy services to X, Y, Z Sdn Bhd.
2.	X Sdn Bhd to provide advertising services to the Multimedia University (MMU) free of charge as part of its corporate social responsibility (CSR) program.
3.	Y Sdn Bhd transferred a generator set to Z Sdn Bhd free of charge.
4.	Z Sdn Bhd is disposing a cleaning machine to a company in Thailand. The company in Thailand has requested that the cleaning machine be delivered to its Malaysian subsidiary in Petaling Jaya.

To streamline GST compliance and administration for the Group, the financial controller has applied to the Royal Malaysian Customs (RMC) to undertake a group registration. RMC has rejected the group registration for all four companies and only allowed **MC Sdn Bhd, X Sdn Bhd and Y Sdn Bhd** to be included in the group registration for GST.

Required:

i. Explain the basis for the Royal Malaysian Custom's (RMC) to reject the group registration and why Z Sdn Bhd was excluded from the group registration.

(4 marks)

ii. Explain the GST treatment of each of the above four (4) transactions listed above, assuming that these transactions take place after the group registration of MC, X and Y Sdn Bhd.

(8 marks)

(b) GE Automation Sdn Bhd with monthly taxable period sells and delivers equipment to SJS Sales & Service Sdn Bhd on 25th of April 2016. The selling price of the equipment was RM250,000 (exclusive of GST) and GE Automation Sdn Bhd issues a tax invoice to SJS Sales & Services Sdn Bhd on 19th of May 2016.

Required:

i. Indicate and explain the time of supply (TOS) for GE Automation Sdn Bhd.

(4 marks)

ii. What is the amount of GST due at the time of supply (TOS) and the month the output tax is to be accounted for?

(4 marks)

(Total 20 marks)

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QUESTION 4

(a) There are two basis of accounting in GST, the Invoice (accrual) basis and the payment basis. Describe and explain the difference between the two basis of accounting.

(4 marks)

(b) A holding company has engaged a training company to provide in-house GST training to its group of companies (Subsidiary 1 & Subsidiary 2). A total of 30 participants attended, comprising of 10 participants from the holding company and 10 participants from each subsidiary. The training fee charged by the training company to the holding company is RM9,540 (RM9,000 + GST of RM 540). The holding company decides to charge each subsidiary RM3,000.

Required

(i) Does this qualify as a disbursement or reimbursement? Explain.

(2 marks)

(ii) What are the accounting entries involved for the holding company and the subsidiaries?

(6 marks)

(c) Indicate and explain if the input tax credit is 'blocked' in each of the followings cases:

i. In June 2016, XYZ Sdn Bhd provided a company car to be used by the Director of Marketing. The car was involved in an accident and needs to be repaired. XYZ Sdn Bhd then rented a Toyota Camry from a car rental agency as temporary replacement to be used by the Director of Marketing.

ii. ABC Company has decided to pay golf course membership fee and subscription fee for all its' senior management team at the Air Keroh Golf and Country Club as an incentive for the company's performance in 2016.

iii. TNN Communications Sdn Bhd acquires a Toyota Vios for its employees to provide technical support assistance in case of telecommunication breakdown. The car is painted in the company's color and the logo of the company is painted on the doors. The car will be kept at the company premises.

iv. Panda Sdn Bhd incurred RM10,600 (inclusive of GST) in providing a holiday package (travelling and accommodation) for Mr. Chan a senior executive of Panda Sdn Bhd, and his wife and two children. This was an incentive given to Mr. Chan for the excellent performance of his department. The cost for Mr. Chan alone was RM4,240 (inclusive of GST), and together for his wife and two children, it totaled RM6,360.

(8 marks)
(Total 20 marks)

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QUESTION 5

(a) A mixed supplier has to apportion the amount of residual input tax claim in respect of making taxable and exempt supply. Show and explain the formula for the standard method of apportionment.

(4 marks)

(b) Refer to the table below, and:

Period	Taxable Supply (RM)	Exempt Supply (RM)	Input Tax			Other Information		
			Attributable To Taxable Supplies (RM)	Attributable To Exempt Supplies (RM)	Residual Input tax (RM)	Value of (taxable) capital goods disposed off (RM)	Value of imported Services (RM)	Value of incidental exempt financial Supplies (RM)
Q1	650,000	260,000	15,000	10,500	9,540	18,000		
Q2	760,000	280,000	18,000	11,400	11,250	185,500		
Q3	1,750,000	190,000	26,000	23,300	65,600		45,000	
Q4	1,950,000	165,000	28,000	16,800	8,500	65,000	75,000	9,000
Total	**5,110,000**	**895,000**	**87,000**	**62,000**	**94,890**	**268,500**	**120,000**	**9,000**

(i) Calculate the residual input recovery rate (%) for each period (quarter).

(4 marks)

(ii) Calculate the input tax credit in respect of the residual input tax for each period (quarter).

(4 marks)

(iii) Calculate the **total** input tax credit for each period (quarter) and for the **year.**

(4 marks)

(iv) Compute the longer period (annual) adjustment that needs to be made and explain how the difference (over or underpaid) is treated.

(4 marks)

(Total 20 marks)

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